

Message Text

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ORIGIN AF-08

INFO OCT-01 ISO-00 EB-07 XMB-02 TRSE-00 SP-02 USIA-06

AID-05 NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01

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TREASURY:MCANNER

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R 061737Z AUG 76
FM SECSTATE WASHDC
TO AMEMBASSY KINSHASA

C O N F I D E N T I A L STATE 195513

E.O. 11652: GDS

TAGS: ECON, EATD, CG

SUBJECT: IBRD CONSULTATIVE GROUP FOR ZAIRE

REF: (A) KINSHASA 6176; (B) KINSHASA 6287

1. DEPT HAS FOLLOWED UP AMBASSADOR'S CONVERSATIONS WITH
IBRD REPS BY CALLING ON BANK ZAIRE DESK HEAD WIEHEN
JULY 23. HIS DESCRIPTION OF HIS MISSION AND GOZ
RESPONSE SIMILAR TO THAT REPORTED IN REFTEL. WIEHEN
COMMENTED THAT WHILE IN HIS OPINION PREFERABLE TIMING
FOR NEXT CONSULTATIVE GROUP MEETING WOULD BE NOVEMBER,
GOZ REACTION TO MCNAMARA LETTER AS WELL AS INTERNAL
BANK PROCEDURES WOULD PROBABLY PRECLUDE ANY MEETING
BEFORE EARLY 1977. MUCH WILL DEPEND ON UPCOMING
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NGUZA-MCNAMARA MEETING (KINSHASA 6499).

2. DEPT HAS COPY OF IBRD LETTER (BEING POUCHED FYI ONLY) AND IS NOT SURPRISED AT STRONG ZAIRIAN REACTION. LETTER IS STERN INDICTMENT DIRECTLY TYING BANK PROGRAM CUTBACK TO POOR ZAIRIAN PERFORMANCE AND BRINGING IN POSSIBILITY OF CONSULTATIVE GROUP MEETING ONLY AT END OF LETTER AS "LAST CHANCE" METHOD BY WHICH A REPENTANT ZAIRE MIGHT BE ABLE TO OBTAIN CONDITIONAL ABSOLUTION. TONE CLEARLY IMPLIES THAT GOZ SHOULD EXPECT FURTHER LECTURES AT PROPOSED MEETING.

3. IN VIEW THESE DEVELOPMENTS, DEPT AGREES WITH LINE AMBASSADOR HAS TAKEN WITH GOZ OFFICIALS. USG STILL BELIEVES THAT A PROPERLY PREPARED CONSULTATIVE GROUP COULD BE USEFUL METHOD OF COORDINATING AND POSSIBLY INCREASING MULTINATIONAL ASSISTANCE FOR ZAIRE. PENDING IMPROVEMENT IN GOZ-BANK RELATIONS, AMBASSADOR SHOULD CONTINUE HIS EFFORTS TO DEFUSE SITUATION WITH LOW KEY EFFORTS EMPHASIZING (A) OUR VIEW OF POSSIBILITIES OFFERED BY CONSULTATIVE GROUP AND (B) OUR SUPPORT FOR ZAIRIAN CONCERN THAT CONSULTATIVE GROUP BE STRUCTURED TO MEET THEIR NEEDS.

4. RECOGNIZING THAT MCNAMARA'S LETTER IS SYMPTOMATIC OF WIDESPREAD VIEW OF ZAIRE'S ECONOMIC MISMANAGEMENT AND INDICATES PROBLEMS USG WILL FACE IN ANY FURTHER MULTILATERAL ATTEMPTS TO AID ZAIRE, EVIDENCE OF PROGRESS BY ZAIRE IN THREE AREAS WOULD BE HELPFUL IN ORDER TO FACILITATE U.S. ASSISTANCE.

1) ADHERENCE TO IMF STABILIZATION PLAN. KEY ELEMENT HERE IS GOVERNMENT DEFICITS AND WAGE STABILIZATION IN PARTICULAR.

2) REGULARIZING INTEREST PAYMENTS IN SECOND HALF OF 1976. GOZ IS APPARENTLY NOT EVEN RESPONDING TO SOME REQUESTS FOR PAYMENT.

3) PROVISION OF MORE ACCURATE AND UP TO DATE DATA ON FINANCES AND LOAN PAYMENTS DUE.

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5. HOWEVER, AS EMBASSY HAS ALSO POINTED OUT, OTHER CREDITORS AND POTENTIAL DONORS APPEAR SOMEWHAT UNENTHUSIASTIC AND CURRENT STATE OF IBRD AND GOZ RELATIONS MAKE MULTINATIONAL INITIATIVES DIFFICULT. DEPT AGREES THAT MAJOR PITCH BY USG IN SUPPORT OF RECONVENING CONSULTATIVE GROUP TACTICALLY UNWISE AT THIS TIME.

6. MEANWHILE IBRD NOW PREPARING MEMORANDUM ON ZAIRIAN

ECONOMIC SITUATION TO BE USED AS BASIS FOR CONSULTATIVE GROUP CONSULTATIONS. MEMORANDUM WILL NOT RPT NOT BE READY UNTIL NOVEMBER. HOWEVER, BANK INTENDS TO CONSULT WITH IMF AND IS CONSIDERING INFORMAL USG-IBRD-IMF TRIPARTITE CONSULTATIONS. USG ASKED IMF FOR UPDATED BALANCE OF PAYMENTS BUDGET FOR ZAIRE FOR REST OF 1976 AND 1977, BUT WAS TOLD NO NEW IMF ANALYSIS EXISTS- DEPT INTENDS TO QUERY OTHER MEMBERS OF PARIS CLUB ON THEIR CURRENT PAYMENT EXPERIENCE WITH GOZ.

7. DEPARTMENT IS INTERESTED IN BISENGIMANA SUGGESTION (KINSHASA 6176) FOR MEETING OF "CORE COUNTRY" AMBASSADORS BUT DOUBTS IT WOULD BE USEFUL UNLESS PARTICIPATING COUNTRIES IN FULL AGREEMENT AS TO PURPOSE AND SUBJECTS TO BE COVERED. IF SUCH AGREEMENT COULD BE OBTAINED THIS APPROACH MIGHT SERVE AS INTERIM FORUM FOR CONTINUING DISCUSSIONS ON SHORT AND LONGER TERM QUESTIONS WITH GOZ, HOPEFULLY LEADING TO CONSULTATIVE GROUP OR OTHER ARRANGEMENTS. DEPARTMENT WOULD APPRECIATE EMBASSY VIEWS ON BISENGIMANA PROPOSAL AND HOW IT MIGHT BE IMPLEMENTED. HABIB

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